

Real Estate Initiative Update



Sandra D. Bowen
Secretary of Administration
December 20, 2004

Governor's Executive Order 75 (2004)

- Establish an unified and fully integrated real estate portfolio management system for the agencies and institutions of the Executive Department, based on the following enterprise-wide goals:
 - Increase collocation and bargaining power
 - Decrease total and per-person space allocations
 - Reduce total costs
 - Maintain agency security and operational needs
 - Augment or maintain agency functional space and real property services

Project Overview



- Dec. 2003 - Phase I CBRE Study
- June 2004 - Phase II CBRE
 - Portfolio Management Strategy
 - Organizational Restructuring
 - Business Process Redesign
 - Data Integration and MIS Strategy

Bold Initiative



- Completely different business model
- Transformation from...
 - Tactical to strategic
 - Regulatory to customer service
 - Fragmented to integrated
- Consolidated data & information
- Market skills and expertise
- Significant organizational realignment

Portfolio Management

- Comprehensive portfolio system for leased and owned property
 - Strategic planning, transaction management, project/construction management, lease administration, facilities and space management
- Customer-oriented and business-based
- Focus on enterprise-wide uses vs. specialized facilities
- Master lease and co-location strategies statewide

Enterprise-Wide Focus



- Primary Focus – Portfolio Management
 - Office space, warehouse, records storage, etc.
- Specialized facilities generally excluded, extra portfolio attention only upon request
 - Academic facilities and programs
 - Prisons and correctional facilities
 - Hospitals and medical care facilities
 - Retail operations (e.g., ABC)
 - Other specialized operations

Rename, Reengineer, Relocate

- Create new Division of Real Estate Services (DRES) in DGS
- Restructure services and operations
- Outsource selected functions
- Accountability for full real estate cycle
- Move to new location

Business Process Redesign



- Agency Head Roundtable critical component
- Agency Relationship Managers (ARMs) will be agency advocates throughout real estate processes
- Agencies will deal with a single ARM
- ARMs' performance reviews will be joint (DRES and agency)
- Will develop cost allocation policy with agencies

Benefits of New Real Estate System

- Economies of scale and market leverage in leasing and contracts
- Fewer redundant support areas
- Better space utilization
- More real estate expertise incorporated into operations
- More productive use of staff
- Enhanced facilities and more consistent quality
- Enhanced collaboration among agency programs
- More efficient and less confusing process for private landlords and owners

Communications Program



- Agency Roundtable meetings will continue on regular basis
- New DRES Director and Agency Heads will meet one-on-one beginning 1Q '05

Accomplishments to Date 1

- Reduced statewide space standards by 16% (avg. 210 usable sf vs. 250 usable sf per person)
- Initiated master leases with major landlords
- Developing strategy for co-location of agencies (short-term and long-term)
- Creating master database of office lease portfolio
- Northern Va. – Renegotiating lease where agency is paying \$3.50 psf *over* market (122,000 sf)
 - Savings estimate: Minimum \$2.0 million over 5-year lease

Accomplishments to Date 2

- Richmond Metro – Reduced tenant improvement costs from landlord's initial offer
 - Savings estimate: Up to \$375,000 depending on lease term
- Richmond Metro – Reduced office space by applying new space standards
 - Savings estimate: \$87,000 over 5 years
- Richmond Metro – Avoided expansion for unnecessary computer room by involving VITA early
 - Savings estimate: \$126,000 over 3 years

Phased Implementation



- Phased, orderly implementation
 - 2-year Implementation Plan
 - Leases
 - Organizational Changes
- Dynamic process
 - Change and adjust to evolving needs and circumstances